



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2706  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

MARIA M. OMS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JUDI E. THOMAS

April 27, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES – LAC+USC MEDICAL  
CENTER PAYROLL/PERSONNEL REVIEW**

On September 11, 2007, based on issues noted in our review of payroll/personnel in one County department, your Board instructed the Auditor-Controller to develop a risk-based plan to audit payroll/personnel operations in all County departments. In accordance with the developed plan, we completed a review of the Department of Health Services (DHS) LAC+USC Medical Center's (LAC+USC) compliance with County payroll and personnel policies and their use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as bonus eligibility, industrial accident payments, leave accounting, overtime controls, recording time and attendance, overpayment recovery and employee termination processing.

DHS Administration Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including LAC+USC, is responsible for all other payroll/personnel functions, such as monitoring overtime usage, approving timecards, etc. The recommendations in this report are directed to DHS HR, unless specifically addressed to LAC+USC management.

**Summary of Findings**

We noted that DHS HR and LAC+USC maintained security over CWTAPPS data and completed the payroll control section of their Internal Control Certification Program

worksheets accurately. However, DHS HR and LAC+USC need to strengthen their controls over other areas of payroll/personnel operations and use of CWTAPPS. The following are examples of areas for improvement:

- DHS HR needs to improve its monitoring of employee bonuses. We noted that 15 (23%) of 66 employees we reviewed were not eligible for the bonuses they were receiving, resulting in approximately \$18,000 in overpayments. Thirteen (87%) of the 15 employees were receiving custodian and "fire watch" bonuses but had not performed those duties since November 2008, resulting in approximately \$8,700 in overpayments. In April 2009, DHS HR immediately stopped the bonuses after we brought this issue to their attention. In addition, based on the Chief Executive Office's March 6, 2009 request to all County departments to review bonuses, DHS stopped bonuses for approximately 900 employees at all DHS facilities, including some of the exceptions we identified.

DHS HR also needs to ensure certain bonuses are suspended when employees are absent for an extended period. Twenty-three (92%) of 25 employees we reviewed who were absent for an extended period continued to receive bonuses that should have been suspended, resulting in overpayments of approximately \$9,500.

- LAC+USC needs to monitor employees' standby pay to ensure they do not exceed their limits. We found that ten (40%) of 25 employees exceeded their standby pay limit by a total of \$2,244 in 2008.
- DHS HR needs to closely monitor Industrial Accident cases to ensure employees are paid properly. Six (40%) of 15 cases reviewed were overpaid a total of approximately \$20,000 because the Department did not notify the Third Party Administrator that the employees returned to work or were classified as permanently disabled.
- DHS HR needs to ensure that employees on extended sick leave are paid accurately. Twenty-two (73%) of 30 employees reviewed were potentially over or underpaid, resulting in possible net overpayments of more than \$6,000.
- LAC+USC needs to ensure that overtime is properly approved, the reason for the overtime is documented and that staff do not exceed the monthly overtime limit. We noted that 27% of overtime instances reviewed had no approvals and 12 (80%) of 15 overtime requests reviewed did not indicate the reason for the overtime. We also noted that 13 (65%) of 20 employees we reviewed exceeded the Department's overtime limit of 96 hours per month without the required approvals.
- LAC+USC needs to ensure employees complete their time cards accurately. We reviewed a sample of 80 time cards and noted that 22 (28%) had errors, which may have resulted in over/under payments. For example, one employee reported

working 12 hours for one day on his time card, but the work start and stop times on the time card only showed eight hours.

- DHS HR needs to ensure employees are notified timely when overpayments occur. We reviewed ten salary overpayments totaling approximately \$16,000 and noted that DHS HR only sent overpayment letters to two (20%) of the employees, 146 and 188 days after the overpayments occurred.
- LAC+USC needs to improve internal controls over the issuance of supplemental warrants, payroll distribution, employee terminations and CWTAPPS reports.

As indicated, we noted several possible overpayments, underpayments and incorrect leave balances. County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR management should research the individual cases in this report and work with the Department of Human Resources, Auditor-Controller's Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

Since DHS HR handles most of the payroll/personnel functions for all DHS facilities, many of the findings in this report for LAC+USC are similar to the findings from our August 28, 2009 report on Rancho Los Amigos National Rehabilitation Center (RLANRC) Payroll and Personnel review. DHS HR should implement the recommendations from these two reports at all DHS facilities. For future payroll/personnel audits of DHS facilities, we plan on reducing the audit scope and review functions generally handled by individual DHS facilities, such as overtime and time card controls.

Although this report is a review of LAC+USC's Payroll/Personnel operations, we recommend that other County departments review the findings in this report and ensure the necessary controls are in place.

Details of these and other findings and recommendations are included in the attached report.

### **Review of Report**

We discussed our report with DHS HR and LAC+USC management. DHS' attached response indicates agreement with our findings and recommendations and that they have either implemented or initiated implementation of most of the recommendations.

Board of Supervisors

April 27, 2010

Page 4

We thank DHS HR and LAC+USC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Terri Kasman at (213) 253-0103.

WLW:MMO:JLS:TK

Attachments

c: William T Fujioka, Chief Executive Officer  
John F. Schunhoff, Ph.D., Interim Director, DHS  
Pete Delgado, Chief Executive Officer, LAC+USC  
Department Heads  
Public Information Office  
Audit Committee

**DEPARTMENT OF HEALTH SERVICES  
LAC+USC MEDICAL CENTER  
PAYROLL/PERSONNEL REVIEW**

**Background**

The Department of Health Services' (DHS) LAC+USC Medical Center (LAC+USC) has approximately 8,500 employees. DHS Administration Human Resources (DHS HR) handles most payroll/personnel functions (e.g., entering data into CWTAPPS, monitoring leave accounting, processing terminations, etc.) for all DHS facilities. Each DHS facility, including LAC+USC, is responsible for all other payroll/personnel functions, such as monitoring overtime usage, approving timecards, etc. LAC+USC HR, which reports to DHS HR, includes the Payroll and Personnel Sections. The Payroll Section has 19 employees and the Personnel Section has 22. A Supervising Payroll Clerk III oversees the Payroll Section and a Personnel Officer II supervises the Personnel Section.

LAC+USC has timekeepers at various pay locations who review time cards for accuracy and appropriate signatures before sending the time cards to Payroll for entry into the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). DHS HR uses CWTAPPS to process personnel actions, such as hires/terminations, and maintain personnel data, including hire dates, social security numbers and County job history. CWTAPPS also maintains employee leave balances and Industrial Accident information.

**Scope**

We reviewed LAC+USC and DHS HR's compliance with County payroll and personnel processing policies, including compliance with the County Fiscal Manual (CFM). Our review included interviews with staff and tests of employee bonuses, industrial accident payments, overtime usage and controls, time records, warrant distribution, overpayment recovery and data security.

**COMMENTS AND RECOMMENDATIONS**

**Payroll Exceptions**

Our review disclosed a number of errors, such as incorrect time cards, CWTAPPS input errors and misapplication of County payroll rules and regulations. These errors have resulted in possible overpayments, underpayments and incorrect leave balances. Some of the errors may have only been documentation or procedural errors, and not overpayments that would require employees to repay the amounts.

County policies do not specify when employees are required to repay overpayments because the facts of each overpayment are unique. DHS HR should research the individual cases noted in this report and work with the Department of Human Resources

(DHR), Auditor-Controller's (A-C) Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

### **Recommendation**

- 1. DHS HR management research the exceptions identified throughout this report and work with DHR, A-C Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.**

### **Bonuses**

Employees can receive bonuses for special job skills (e.g., bilingual bonus, out-of-class assignments, etc.). CFM Section 3.1.8 requires departments to review work assignments, personnel files and eligibility documents annually to ensure employees continue to qualify for their bonuses. DHS HR is responsible for monitoring employee bonuses for all DHS facilities

Our review of bonuses at LAC+USC disclosed the following exceptions:

- 15 (23%) of 66 employees reviewed were receiving bonuses for which they were not eligible, resulting in overpayments totaling approximately \$18,000. Thirteen (87%) of the 15 employees were receiving a bonus for Custodian-Fire Watch duties. However, management indicated the employees had not performed "fire watch" duties since November 2008. In April 2009, DHS HR immediately stopped the bonuses after we brought this issue to their attention.
- DHS HR does not always review bonuses annually as required. For example, DHS HR staff indicated they only reviewed bilingual and out-of-class bonuses in 2008. However, DHS HR could not provide any documentation that they had reviewed 19 bilingual and out-of-class bonuses that we tested.
- DHS does not comply with the DHR's Interpretive Manual requirement to pay out-of-class bonuses temporarily until the employees are appointed to a new position or returned to their previous position. We noted 36 LAC+USC employees have been receiving out-of-class bonuses for more than one year, and 27 (75%) of the 36 employees have been receiving the bonuses for more than five years.
- DHS HR does not ensure bonuses are suspended when employees are absent for an extended period, as required. Twenty-three (92%) of 25 employees we reviewed who were absent for an extended period continued to receive bonuses

that should have been suspended, resulting in possible overpayments of approximately \$9,500.

These exceptions could have been prevented if DHS HR had reviewed employees' bonus eligibility annually as required. On March 6, 2009, the Chief Executive Office (CEO) instructed all County departments to review staff bonuses to ensure they are justified. DHS responded to the CEO on June 23, 2009, that they had identified a total of 900 employee bonuses that should have been discontinued at all DHS facilities. DHS HR should review all employee bonuses annually as required by the CFM.

It should be noted that some of the exceptions we identified during our review were included in the 900 bonuses reported to the CEO. The remaining exceptions were corrected before the Department responded to the CEO.

### **Recommendations**

#### **DHS HR:**

- 2. Verify employee eligibility for all bonuses annually and terminate bonuses of ineligible employees.**
- 3. Ensure out-of-class bonuses are only used temporarily until employees are appointed to a new position or returned to their previous position.**
- 4. Work with DHR, A-C Countywide Payroll Division and County Counsel to determine the feasibility of recovering the bonus overpayments noted above.**
- 5. Monitor to ensure bonuses of employees on extended leave are suspended.**

### **Standby Pay Limits**

Employees receive standby pay when they are not scheduled to be at work but assigned to be available. Standby pay is based on the employee's personnel item and ranges from \$0.25 to \$7.30 an hour for most LAC+USC employees, with a monthly maximum of \$50 to no limit, respectively.

Ten (40%) of 25 LAC+USC employees we reviewed exceeded their standby pay limit by a total of \$2,244 in 2008.

### **Recommendation**

- 6. DHS HR monitor standby pay to ensure employees do not exceed their monthly maximum.**

**Timeliness of Bonus Processing**

To ensure employees are paid properly, departments must enter bonus information into CWTAPPS within the Auditor-Controller deadlines each pay period. We noted that 38 (69%) of 55 bonuses reviewed were not input timely due to delays at both the DHS HR Personnel Section and the LAC+USC pay locations. On average, the bonuses were entered 86 days late, resulting in untimely payments to employees.

**Recommendation**

- 7. DHS HR establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the Auditor-Controller deadlines.**

**Industrial Accidents**

County employees who are unable to work because of work-related Industrial Accidents (IA) may receive temporary disability (TD) benefits. The benefits are authorized by one of the County's Third Party Administrators (TPA). The first year after the injury is known as the salary continuation period.

If an employee's disability continues after one year, the post salary continuation period (PSCP) begins. Employees can use accumulated benefits (e.g., sick leave, vacation, etc.) to supplement their TD benefits up to 100% of their regular pay during the PSCP. Departments are supposed to notify employees one month before the start of the PSCP that they can use accumulated benefits to supplement their TD benefits. During the PSCP, departments need to recalculate supplemental payments each time an employee's salary rate, TD payment or supplemental benefit rate (e.g., 100%, 65% sick, etc.) changes. The TD and supplemental payments should stop when an employee returns to work or is classified permanently disabled.

**Salary Continuation Period**

For each IA, Payroll is required to enter the maximum benefit date into CWTAPPS to prevent the employee from receiving salary continuation benefits for more than one year. With the exception of employees who have less than one year of continuous County service, the maximum benefit date is one year plus one day from the date of injury.

We reviewed 15 IA cases and noted that DHS HR entered incorrect maximum benefit dates for four (27%) cases, which resulted in overpayments totaling approximately \$4,200.



**Recommendation**

8. DHS HR ensure payroll staff enters the correct maximum benefit date in CWTAPPS.

**Post Salary Continuation Period (PSCP)**

We reviewed 15 PSCP cases and noted that six (40%) employees continued to receive TD payments after they returned to work or after being classified permanently disabled, resulting in overpayments totaling \$20,300. These overpayments occurred because DHS HR did not inform the TPA that the employees had either returned to work or were classified permanently disabled.

In addition, for all 15 PSCP cases, we could not verify if DHS HR had notified the employees, as required, one month prior to the PSCP that they could use accumulated benefits to supplement their TD benefits. We noted that 11 (73%) of the 15 employees did not supplement their TD benefits, and the remaining four (27%) employees supplemented their TD benefits after the PSCP started. In addition, Payroll did not correctly calculate the supplemental earnings for the four employees, resulting in over and under payments totaling \$8,000 and \$600, respectively.

To assist County departments with monitoring PSCP TD payments, the A-C Countywide Payroll Division provides a monthly report (i.e., Temporary Disability Report) with the TD amount, period of coverage, date, etc. The errors mentioned in this audit report might have been avoided or detected if the DHS HR Payroll Section regularly reviewed and compared Temporary Disability Report to CWTAPPS.

**Recommendations****DHS HR:**

9. Require HR staff to notify the TPA immediately when employees return to work.
10. Establish controls and monitor to ensure HR staff notify employees at least one month prior to the PSCP that they can use accumulated benefits to supplement their TD benefits.
11. Ensure Payroll staff calculate supplemental payments correctly for employees receiving TD payments.
12. Ensure Payroll staff review and compare the monthly Temporary Disability Report to CWTAPPS.
13. Train Payroll staff on the rules for ensuring accurate TD benefit payments and monitor for compliance.

### Leave Accounting

Employees who are eligible for sick leave and are out sick can use full or part-pay sick leave for their absence. However, these employees cannot use part-pay sick leave until they have used all of their full-pay sick leave available at the time of the injury or illness. When an employee's continuous sick leave extends into the following calendar year, the employee can only use full or part-pay sick leave that they had when their absence began. Once an employee begins using part-pay sick leave, County Code Section 6.20.050 prohibits the employee from using any type of full-pay leave (e.g., vacation, holiday, full-pay sick leave, etc.), they have earned while on leave, unless specifically authorized by the Department Head. In addition, employees do not accrue holiday time while on part-pay sick leave.

We reviewed CWTAPPS data for 30 employees on extended sick leave and noted 22 (73%) employees were paid incorrectly. The following are examples of some of the errors we noted.

- Six employees went from using part-pay sick leave to using full-pay sick leave or other full-pay leave without the required Department Head approval. This resulted in potential overpayments totaling approximately \$5,200 and incorrect leave benefit balances.
- One employee used sick leave balances the employee was not entitled to use without returning to work. This resulted in overpayment of approximately \$1,700 and incorrect leave benefit balances.
- Two employees used part-pay sick leave before using all of their full-pay sick leave. This resulted in potential underpayments totaling \$631 and incorrect leave benefit balances.

We also noted that three employees were on part-pay sick leave, but their CWTAPPS time records indicated they were at work. The employees' timecards appropriately showed they were on part-pay sick leave, so it appears this was due to data entry errors. As indicated earlier, DHS HR should work with DHR, A-C Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments, and/or adjust employee leave benefit balances, as necessary.

### Recommendations

#### **DHS HR:**

- 14. Ensure proper approvals are obtained before employees use full-pay leave when employees are on part-pay status.**

15. Train and monitor Payroll staff to ensure they use correct leave codes when employees are on extended sick leave.

### Overtime

#### Overtime Controls

We reviewed a sample of 20 LAC+USC employees who worked overtime and noted the following:

- **Overtime limit** – DHS policy limits overtime to 96 hours per month, unless approved in writing by the appropriate manager, the Director of Health Services and the Board of Supervisors. However, 13 (65%) of the 20 employees exceeded this limit without the required authorizations.
- **Overtime approval** – County and DHS policies require non-emergency overtime to be approved in advance. Emergency overtime may be approved after it is worked. We reviewed emergency and non-emergency overtime reported on 60 time cards, and corresponding overtime authorizations, and noted that there was no approval for 27% of the overtime cases.
- **Overtime requests** – DHS requires all overtime requests to include a description of the task, the number of hours to complete the task and the reason(s) the overtime is required. We reviewed 15 overtime requests and noted that 12 (80%) did not indicate the reason for the overtime.

#### Recommendations

##### **LAC+USC management:**

16. Monitor to ensure employees and supervisors comply with the Department's overtime limit.
17. Ensure employees do not exceed the overtime limit without the required authorizations.
18. Ensure that all overtime is properly approved.
19. Require written overtime requests to include the reason for the overtime.

## Time and Attendance

### Time Card Submission Controls

CFM Section 3.1.6 requires employees to complete and sign their time cards and supervisors to certify the accuracy of employees' time. After approving time cards, supervisors should send them directly to timekeepers. Approved original time cards should not be returned to employees.

We noted the following control deficiencies at various pay locations:

- **Supervisors and/or employees do not ensure time cards are completed accurately.** Some LAC+USC employees are required to "clock in/out" on the back of their time cards and write the total number of hours worked on the front. We reviewed a sample of 80 time cards and noted that for 22 (28%) time cards, the actual work start/stop time did not agree with the daily reported totals. For example, on one time card, an employee reported working 12 hours, but the employee wrote work start and stop times totaling only eight hours. In this case, it appears the employee was overpaid by four hours since Payroll staff entered 12 hours into CWTAPPS.
- **There is a lack of physical security over approved time cards.** For example, timekeepers have access to their own approved time cards, and some supervisors return approved time cards to employees.
- **Supervisors and/or employees do not initial changes to time cards.** Employees and supervisors should initial any changes to time cards to certify the accuracy of the changes.

### Recommendations

#### **LAC+USC management:**

20. **Require employees and supervisors to reconcile daily reported hours to work start/stop times before signing and approving timecards.**
21. **Ensure employees do not have access to their approved time cards.**
22. **Ensure employees and supervisors initial and approve all time card changes.**

### Time Card Processing

We compared a sample 80 time cards to CWTAPPS, supporting documents (e.g., overtime authorization forms, etc.), and any subsequent adjustments, and noted that 13

(16%) time cards did not agree with CWTAPPS due to data entry errors and/or inaccurate timecards. For example, on one time card, an employee reported nine hours of overtime on her day off, but CWTAPPS did not show any hours worked.

It appears that some of the discrepancies resulted in incorrect payments and benefit balances. DHS HR should determine the amount of over/under payments made to these employees and adjust the employees' pay and benefit balances accordingly.

CFM Section 3.1.6 requires that someone independent of the payroll/personnel functions should compare the information on a sample of time cards to CWTAPPS, verify that the time cards have been approved and that the employees are bona fide by tracing their names to personnel records. We noted that DHS HR does not perform this function.

### **Recommendations**

#### **DHS HR:**

**23. Ensure payroll information is entered correctly into CWTAPPS.**

**24. Require staff independent of payroll/personnel functions to select a random sample of employee time cards and perform the steps required in County Fiscal Manual Section 3.1.6.**

### **Payroll Distribution**

Payroll distribution controls for LAC+USC do not comply with CFM:

- CFM indicates that Payroll staff should never be directly involved in handling warrants and notices of direct deposit. LAC+USC Payroll staff receive, sort, and distribute payroll warrants and notices of direct deposit.
- CFM indicates that someone independent of Payroll/Personnel should investigate unclaimed warrants. We noted that LAC+USC Payroll staff conduct the investigations.
- CFM requires investigations and release of unclaimed warrants and notices of direct deposit to be completed within 20 days of issuance. LAC+USC does not comply with this requirement. The Payroll Section had 34 unclaimed warrants and 22 notices of direct deposit, dating back to May 2004. Also, one pay location did not return unclaimed warrants and kept three warrants dating back to November 2006. Unclaimed warrants expire two years after the issue date. If warrants cannot be delivered, they should be voided and returned timely to the A-C Countywide Payroll Division.

- CFM indicates that Payroll/Personnel staff should not be involved in voiding and reissuing unclaimed warrants. LAC+USC Payroll staff void undeliverable warrants, request reissuance of the voided warrants from the A-C Countywide Payroll Division, and receive/distribute the reissued warrants.
- Payoffs are not conducted at least annually at all pay locations as required by CFM.

**Recommendations****DHS HR:**

25. **Ensure staff with no payroll/personnel responsibilities receive, sort and distribute payroll warrants and notices of direct deposit.**
26. **Ensure unclaimed warrants and notices of direct deposit are returned to and investigated by someone independent of Payroll/Personnel within 20 calendar days of issuance.**
27. **Void and timely return all undeliverable warrants to the A-C Countywide Payroll Division.**
28. **Ensure payoffs are conducted at all pay locations at least annually.**

**Supplemental Warrants**

Supplemental payroll warrants are issued to correct underpayment errors. CFM Section 3.2.3 requires the payroll supervisor to approve requests for supplemental warrants in writing before entering the request in CWTAPPS. In addition, an employee independent of the payroll/personnel function should subsequently verify written approval for each supplemental warrant listed on the CWPAY Supplemental Department Warrant Register.

We noted that the payroll supervisor approved supplemental warrant requests in writing as required, and an independent section was assigned to verify that written approvals exist for each supplemental warrant issued. However, this section has not completed the required verifications for at least two years.

**Recommendation**

29. **DHS HR and LAC+USC management ensure that someone independent of payroll/personnel function verifies that written approval exists for each supplemental warrant listed on the CWPAY Supplemental Department Warrant Register.**

### **Overpayment Recovery**

CFM Section 3.3.0 requires departments to notify employees in writing of overpayments, and to initiate collection efforts immediately after the overpayments occur. If the employee is still in service (or on an extended leave without pay), overpayments are automatically recovered as a deduction from subsequent salary payments. If the employee has left County service and will not receive any more salary payments, the overpayment must be recovered manually. The Auditor-Controller's Countywide Payroll Division provides departments with a monthly report on employee overpayments.

We reviewed ten overpayments totaling \$15,890 from January through October 2008 and noted that DHS HR had sent overpayment letters to only two (20%) employees at the time of our review in March 2009. However, the two overpayment letters were prepared 146 and 188 days after the overpayments occurred. DHS HR had only recovered \$1,033 (7%) of the \$15,890 in overpayments.

Subsequent to our review, DHS HR developed detailed policies and procedures on issuing overpayment letters, including follow up procedures to ensure the overpayment letters are issued timely.

### **Recommendation**

- 30. DHS HR ensure Payroll staff timely notify employees of overpayments and follow up to ensure overpayments are collected.**

### **Employee Terminations**

#### **Verification of Terminations on CWTAPPS**

CFM Section 3.1.8 requires personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) to keep a list of terminated employees and trace the terminated employees' names to the Payroll Sequence Register for at least three consecutive months to ensure that terminated employees are not being paid. DHS HR does not perform this function.

In addition, we noted that the person who prepares and maintains the list of terminated employees also processes termination transactions on CWTAPPS. Someone independent of entering termination transactions on CWTAPPS should prepare/maintain the list.

### **Recommendation**

- 31. DHS HR ensure personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) maintains a listing of terminated employees and traces terminated**

**employees' names to the Payroll Sequence Register for at least three consecutive months after the employees terminate.**

### **CWTAPPS Reports**

CWTAPPS automatically generates reports to assist managers in monitoring payroll/personnel operations. CFM Section 3.1.0 specifically requires Payroll staff to investigate exceptions on the following eight reports and immediately process any necessary adjustments.

- Time Card Error Report
- Leave Benefit Negative Balance Report
- Time Card Leave Defaulting Report
- Leave Final Pay Exception Report
- Overtime Activity Report
- Change in Overtime History Exception Report
- Excessive Comp Earned/Regular Hours Exception Report
- Premium Overtime Transaction Exception Report

Payroll staff must annotate the report to document the disposition of each entry and sign and date the report. The payroll supervisor should also review the reports each pay period to ensure that adjustments are made promptly and correctly. The supervisor should also sign and date the reports.

We reviewed 13 reports, consisting of three of the required eight reports, and noted that Payroll staff did not annotate, sign or date two (15%) reports to document the disposition of each entry. In addition, the payroll supervisor did not sign and date any of the 13 reports.

### **Recommendation**

- 32. DHS HR ensure Payroll staff and supervisors document their review of CWTAPPS reports and ensure exceptions are resolved timely.**





February 9, 2010

**Los Angeles County  
Board of Supervisors**

**Gloria Molina**  
First District


**Mark Ridley-Thomas**  
Second District

**Zev Yaroslavsky**  
Third District

**Don Knabe**  
Fourth District

**Michael D. Antonovich**  
Fifth District

**TO: Wendy L. Watanabe**  
Auditor-Controller

**FROM: John F. Schunhoff, Ph.D.**   
Interim Director

**SUBJECT: DEPARTMENT OF HEALTH SERVICES –  
LAC+USC MEDICAL CENTER  
PAYROLL/PERSONNEL REVIEW**

**John F. Schunhoff, Ph.D.**  
Interim Director

**Robert G. Splawn, M.D.**  
Interim Chief Medical Officer

Accompanying this letter is the Los Angeles County Department of Health Services (Department) response to the recommendations contained in your office's review of the Department's Payroll and Personnel Operations Report dated November 2009. We concur with the recommendations made in the report and have either implemented or initiated implementation of most of the recommendations.

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

Thank you for allowing us the opportunity to include our response with your report.

If you have any questions or require additional information, please let me know or you may contact Sharon Ryzak (213) 240-7901.

JFS:eg

Attachment

*To improve health  
through leadership,  
service and education.*

c: Gregory Polk  
Ann Marinovich  
Sharon Ryzak



[www.dhs.lacounty.gov](http://www.dhs.lacounty.gov)

## **COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES**

### **SUBJECT: RESPONSE TO AUDITOR-CONTROLLER PAYROLL/PERSONNEL REVIEW – LAC+USC MEDICAL CENTER**

#### **AUDITOR-CONTROLLER RECOMMENDATION #1**

Department of Health Services Human Resources (DHS HR) management research the exceptions identified throughout this report, and work with Department of Human Resources (DHR), Auditor-Controller (A-C) Countywide Payroll and County Counsel to recover overpayments, issue supplemental warrants to collect underpayments and/or adjust employee leave benefit balances.

#### **DHS response:**

We agree and have corrected the exceptions identified in this report. Working with DHR, A-C Countywide Payroll, and County Counsel as necessary, we have recovered overpayments, issued supplemental warrants and adjusted employee leave balances.

#### **AUDITOR-CONTROLLER RECOMMENDATION #2**

DHS HR verify employee eligibility for all bonuses annually and terminate bonuses of ineligible employees.

#### **DHS response:**

We agree. In April 2009, DHS HR created a Bonus Unit which is responsible for monitoring and verifying employee eligibility for all bonuses annually and terminating bonuses of ineligible employees.

#### **AUDITOR-CONTROLLER RECOMMENDATION #3**

DHS HR ensure out-of-class bonuses are only used temporarily until employees are appointed to a new position or returned to their previous position.

#### **DHS response:**

We agree. The Bonus Unit will monitor bonuses to ensure that all out-of-class bonuses are used only temporarily until such time as the employee is appointed to the higher level class in accordance with Civil Service Rules or is returned to an assignment in his/her classification.

#### **AUDITOR-CONTROLLER RECOMMENDATION #4**

DHS HR work with DHR, A-C Countywide Payroll and County Counsel to determine the feasibility of recovering the bonus overpayments noted above.

**DHS response:**

We agree. DHS is working with DHR, A-C Countywide Payroll, the Chief Executive Office (CEO) and County Counsel and have recovered bonus overpayments as feasible.

**AUDITOR-CONTROLLER RECOMMENDATION #5**

DHS HR monitor to ensure bonuses of employees on extended leave are suspended.

**DHS response:**

We agree. The Bonus Unit is responsible for monitoring and verifying employee eligibility for all bonuses annually and terminating bonuses of ineligible employees. The unit reviews the work assignment, personnel files and eligibility documents of all employees receiving bonuses, which includes timekeeping records in Countywide Timekeeping and Payroll Personnel System (CWTAPPS). In addition, effective with the pay period beginning January 1, 2010, Payroll staff have been instructed to notify the Bonus Unit whenever an employee is absent from work for 30 consecutive days or more.

**AUDITOR-CONTROLLER RECOMMENDATION #6**

DHS HR monitor standby pay to ensure employees do not exceed their monthly maximum.

**DHS response:**

We agree. On October 30, 2009, a spreadsheet containing information on the negotiated standby limits for each DHS Memoranda of Understanding was provided to all Payroll staff and all DHS timekeepers as a tool for monitoring and ensuring that employees do not exceed their standby limits. On January 14, 2010, the Payroll staff was provided training regarding monitoring standby pay to ensure employees do not exceed their monthly maximum.

**AUDITOR-CONTROLLER RECOMMENDATION #7**

DHS HR establish procedures and monitor to ensure bonus transactions are entered into CWTAPPS by the A-C deadlines.

**DHS response:**

We agree. The Bonus Unit has established procedures ensuring that all bonus transactions are entered into CWTAPPS by the A-C deadlines.

**AUDITOR-CONTROLLER RECOMMENDATION #8**

DHS HR ensure payroll staff enters the correct maximum benefit date in CWTAPPS.

**DHS response:**

We agree. Payroll staff corrected CWTAPPS to ensure that correct maximum benefit dates are in CWTAPPS. On January 14, 2010, Payroll staff was provided training regarding establishing the post salary continuation period and entering the correct maximum benefit date in CWTAPPS.

**AUDITOR-CONTROLLER RECOMMENDATION #9**

DHS HR require HR staff to notify the Third-Party Administrators (TPA) immediately when employees return to work.

**DHS response:**

We agree. All Leave Management staff has been trained by the CEO to immediately notify the TPA when they are made aware that an employee on leave has returned to work.

**AUDITOR-CONTROLLER RECOMMENDATION #10**

DHS HR establish controls and monitor to ensure HR staff notify employees at least one month prior to the Post Salary Continuation Period (PSCP) that they can use accumulated benefits to supplement Temporary Disability (TD) benefits.

**DHS response:**

We agree. DHS Leave Management Section is in the process of modifying the database to meet the needs of the unit. As part of the database the Return to Work Coordinator will be notified when a notice needs to be sent to the employee, offering to use accumulated benefits to supplement TD benefits. We expect the database to be fully functional by February 26, 2010.

**AUDITOR-CONTROLLER RECOMMENDATION #11**

DHS HR ensure Payroll staff calculate supplemental payments correctly for employees receiving TD payments.

**DHS response:**

We agree. On January 14, 2010, Payroll staff was provided training regarding properly calculating supplemental payments for employees receiving TD payments.

**AUDITOR-CONTROLLER RECOMMENDATION #12**

DHS HR ensure Payroll staff review and compare the monthly Temporary Disability Report to CWTAPPS.

**DHS response:**

We agree. On January 14, 2010, Payroll staff was provided training regarding reviewing and comparing the monthly Temporary Disability Report to submitted time records (i.e., timecards and eCAPS timesheets) and immediately notifying the Leave Management Unit whenever an employee is shown as having returned to work.

**AUDITOR-CONTROLLER RECOMMENDATION #13**

DHS HR train Payroll staff on the rules for ensuring accurate TD benefit payments and monitor for compliance.

**DHS response:**

We agree. On January 14, 2010, Payroll staff was provided training regarding rules for ensuring accurate TD benefit payments and monitoring for compliance.

**AUDITOR-CONTROLLER RECOMMENDATION #14**

DHS HR ensure proper approvals are obtained before employees use full-pay leave when employees are on a part-pay status.

**DHS response:**

We agree. On January 14, 2010, Payroll staff was provided training to ensure proper approvals are obtained before employees use full-pay leave when employees are on a part-pay status.

**AUDITOR-CONTROLLER RECOMMENDATION #15**

DHS HR train and monitor Payroll staff to ensure they use correct leave codes when employees are on extended sick leave.

**DHS response:**

We agree. On January 14, 2010, Payroll staff was provided training on the use of correct codes when employees are on extended sick leave, including applicable sections of the Interpretive Manual and a list of extended leave earnings codes for reference.

**AUDITOR-CONTROLLER RECOMMENDATION #16**

LAC+USC management monitor to ensure employees and supervisors comply with the Department's overtime limit.

**DHS response:**

We agree. LAC+USC supervisors and managers will periodically monitor compliance with overtime limits in accordance with DHS Overtime Policy No. 753 and LAC+USC Approval of Overtime Policy No. 515. On January 28, 2010, Overtime Policies were re-issued to LAC+USC executive management staff for distribution to all supervisors and managers.

**AUDITOR-CONTROLLER RECOMMENDATION #17**

LAC+USC management ensure employees do not exceed the overtime limit without the required authorizations.

**DHS response:**

We agree. LAC+USC executive management will monitor compliance with overtime limits. On January 28, 2010, LAC+USC executive management was reminded to ensure completion of the Overtime Authorization Request form in compliance with DHS Overtime Policy No. 753.

**AUDITOR-CONTROLLER RECOMMENDATION #18**

LAC+USC management ensure that all overtime is properly approved.

**DHS response:**

We agree. LAC+USC supervisors and managers will ensure completion of the Overtime Authorization Request form in accordance with DHS Overtime Policy No. 753. On January 28, 2010, a reminder was issued during the LAC+USC Administrative Briefing with policy re-issuance.

**AUDITOR-CONTROLLER RECOMMENDATION #19**

LAC+USC management require written overtime requests to include the reason for the overtime.

**DHS response:**

We agree. LAC+USC supervisors and managers will ensure completion of the Overtime Authorization Request form in accordance with DHS Overtime Policy No. 753. On January 28, 2010, a reminder was issued during the LAC+USC Administrative Briefing with policy re-issuance.

**AUDITOR-CONTROLLER RECOMMENDATION #20**

LAC+USC management require employees and supervisors to reconcile daily reported hours to work start/stop times before signing and approving timecards.

**DHS response:**

We agree. LAC+USC will initiate reminders to all staff to comply with DHS Attendance Policy No. 751, DHS Time Reporting – Keypunch Timecards Policy No. 610.003, and LAC+USC Record of Time/Benefits Policy No. 575. On January 28, 2010, LAC+USC executive management was reminded to ensure that subordinate supervisors and managers reconcile timecards and make sure hours are accurately reported.

**AUDITOR-CONTROLLER RECOMMENDATION #21**

LAC+USC management ensure employees do not have access to their approved time cards.

**DHS response:**

We agree. LAC+USC will initiate reminders to all staff to comply with DHS Time Reporting Policy No. 610, DHS Time Reporting – Keypunch Timecards Policy No. 610.003, and LAC+USC Record of Time/Benefits Policy No. 575. On January 28, 2010, LAC+USC executive management was reminded to reconcile timecards and make sure hours are accurately reported.

**AUDITOR-CONTROLLER RECOMMENDATION #22**

LAC+USC management ensure employees and supervisors initial and approve all time card changes.

**DHS response:**

We agree. LAC+USC will initiate reminders to all staff to comply with DHS Time Reporting – Paper Timesheets Policy No. 610.002, DHS Time Reporting – Keypunch Timecards Policy No. 610.003, and LAC+USC Record of Time/Benefits Policy No. 575. On January 28, 2010, LAC+USC executive management was reminded to reconcile timecards and make sure hours are accurately reported.

**AUDITOR-CONTROLLER RECOMMENDATION #23**

DHS HR ensure payroll information is entered correctly into CWTAPPS.

**DHS response:**

We agree. Payroll staff were reminded to ensure payroll information is entered correctly into CWTAPPS. On January 14, 2010, the Payroll staff was provided training regarding CWTAPPS coding.

AUDITOR-CONTROLLER RECOMMENDATION #24

DHS HR require staff independent of payroll/personnel functions to select a random sample of employee time cards and perform the steps required in County Fiscal Manual Section 3.1.6.

**DHS response:**

We agree. On December 15, 2009, DHS implemented a procedure ensuring that a random sample of timecards is reviewed quarterly by staff independent of payroll/personnel functions.

AUDITOR-CONTROLLER RECOMMENDATION #25

DHS HR ensure staff with no payroll/personnel responsibilities receive, sort and distribute payroll warrants and notices of direct deposit.

**DHS response:**

We agree. DHS is exploring options for implementing the recommendation that Payroll/Personnel should have no involvement in the receipt, sorting, distribution, or other handling of payroll warrants and notices of direct deposit. Compliance with this recommendation would require each facility to receive (retrieve), sort, distribute or otherwise handle approximately 19,000 payroll warrants and notices of direct deposit twice per month. While this recommendation has been difficult to implement due to the size and scope of the responsibility, as well as the level of coordination that is required for each pay period, DHS is working to identify a solution that will fully address this recommendation.

AUDITOR-CONTROLLER RECOMMENDATION #26

DHS HR ensure unclaimed warrants and notices of direct deposit are returned to and investigated by someone independent of Payroll/Personnel within 20 calendar days of issuance.

**DHS response:**

We agree. DHS is exploring options for implementing the recommendation that staff independent of Payroll/Personnel investigates all unclaimed warrants and notices of direct deposit within 20 calendar days of issuance.

AUDITOR-CONTROLLER RECOMMENDATION #27

DHS HR void and timely return all undeliverable warrants to the A-C Countywide Payroll.

**DHS response:**

We agree. On January 14, 2010, the Payroll staff was provided training to void and timely return all undeliverable warrants to the A-C Countywide Payroll.



**AUDITOR-CONTROLLER RECOMMENDATION #28**

DHS HR ensure payoffs are conducted at all pay locations at least annually.

**DHS response:**

We agree. DHS Finance has developed procedures to ensure that Payroll Payoff audits are conducted at all pay locations at least annually.

**AUDITOR-CONTROLLER RECOMMENDATION #29**

DHS HR and LAC+USC management ensure that someone independent of payroll/personnel function verifies that written approval exists for each supplemental warrant listed on the CWPAY Supplemental Department Warrant Register.

**DHS response:**

We agree. A DHS staff independent of payroll/personnel function has been designated and trained to verify written approval for each supplemental warrant listed on the CWPAY Supplemental Department Warrant Register.

**AUDITOR-CONTROLLER RECOMMENDATION #30**

DHS HR ensure Payroll staff timely notify employees of overpayments and follow up to ensure overpayments are collected.

**DHS response:**

We agree. On June 24, 2009, Payroll Services issued a Payroll Processing Procedure on salary overpayment letters. The Payroll Services supervisor will monitor to ensure that overpayment letters are issued within 30-calendar days of discovery of the overpayment. For overpayments associated with employees still in service, Payroll Services staff will check Data View for three months to ensure overpayments are being collected. On January 14, 2010, Payroll staff was provided training on timely notification to employees of overpayments and to follow up to ensure collection.

**AUDITOR-CONTROLLER RECOMMENDATION #31**

DHS HR ensure personnel management (or someone independent of entering job, time card and/or termination transactions on CWTAPPS) maintains a listing of terminated employees and traces terminated employees' names to the Payroll Sequence Register for at least three consecutive months after the employees terminate.

**DHS response:**

We agree. A DHS staff independent of payroll/personnel function has been designated and trained to trace terminated employee's names to the Payroll Sequence Register for at least three months after an employee terminates.

**AUDITOR-CONTROLLER RECOMMENDATION #32**

DHS HR ensure Payroll staff and supervisors document their review of CWTAPPS reports and ensure exceptions are resolved timely.

**DHS response:**

We agree. Payroll Supervisors are aware of their responsibilities on documenting review of CWTAPPS reports and now annotate initial and date reports indicating their review. On January 14, 2010, Payroll staff was instructed about the necessity for timely resolving and processing exceptions.